

**SYNOPSIS OF
RHODE ISLAND
TAX SYSTEM**

**DEPARTMENT OF ADMINISTRATION
DIVISION OF TAXATION**

**ONE CAPITOL HILL
PROVIDENCE, RI 02908-5800
JANUARY 1, 2004**

FOREWARD

This Synopsis of the Rhode Island Tax System has been prepared by the Division of Taxation. It is hoped that it may answer general questions which might arise relative to state taxation and will provide immediate information about the various taxing statutes. This booklet is not intended to be substituted for the law itself but should be a convenient starting point. For detailed information, reference should be made to the law and regulations.

For additional information, kindly write to the

Tax Administrator
Division of Taxation
One Capitol Hill
Providence, RI 02908-5800

R. GARY CLARK
TAX ADMINISTRATOR

JANUARY 1, 2004

TABLE OF CONTENTS

SALES AND USE TAX	1
Transactions Subject to the Sales Tax.....	1
Transactions Not Subject to the Sales Tax	1
Imposition and Collection of the Sales Tax	6
Permits.....	6
Temporary Permit	7
Flea Market Vendors.....	7
Sales Tax Returns & Payments	7
Tax Collection – Trust Funds	8
Penalty for Misappropriation	8
Use Tax – Returns and Payments	8
Resale and Manufacturer’s Exemption Certificates	9
Credit for Sales or Use Taxes Paid in Another Jurisdiction.....	10
Refund for Qualifying Renewable Energy Systems	10
PERSONAL INCOME TAX.....	10
Persons Subject to the Tax.....	10
Returns	10
Resident and Nonresident Individuals.....	10
Modifications	11
Family Education Account Modifications.....	11
Artist’s Modification	12
RI 529 Plan Modification	12
Withholding Requirements.....	12
Penalties	12
Property Tax Relief Credit.....	12
Credit for Income Taxes of Other States.....	13
Qualifying Widow(er) Credit	13
Other Credits	13
BUSINESS CORPORATION TAX.....	13
Apportionment.....	14
EMPLOYMENT TAXES.....	14
Employment Security Tax	14
Temporary Disability Insurance Tax.....	15
Job Development Assessment.....	15
Quarterly Wage Reports	15
INVESTMENT CREDIT	15
ELECTIVE DEDUCTION FOR NEW RESEARCH AND DEVELOPMENT FACILITIES	15
ACCELERATED AMORTIZATION DEDUCTIONS FOR CERTAIN MANUFACTURERS	15

CORPORATION FRANCHISE TAX	16
DECLARATION OF ESTIMATED TAX BY CORPORATIONS	16
TAX ON GROSS EARNINGS OF PUBLIC UTILITIES	16
BANKING INSTITUTIONS – TAX ON INTEREST-BEARING DEPOSITS	17
BANKING INSTITUTIONS – EXCISE TAX.....	18
HEALTH CARE PROVIDER ASSESSMENT.....	18
NURSING FACILITY PROVIDER ASSESSMENT	18
HOTEL TAX.....	18
MOTOR FUEL TAX	19
Fuels Subject to Tax	19
Licenses.....	19
Tax and Returns	19
Refunds	19
UNIFORM OIL RESPONSE AND PREVENTION FEE.....	20
CIGARETTE TAX	20
Method of Taxation	20
Licenses and Reports	20
TAXATION OR MARIJUANA AND OTHER CONTROLLED SUBSTANCES	20
RENTAL VEHICLE SURCHARGE	21
ENVIRONMENTAL PROTECTION REGULATORY FEE	21
ESTATE TAXES	22
Estate.....	22
Returns and Payments	22
MOTOR CARRIER FUEL USE TAX.....	22
BEVERAGE CONTAINER TAX.....	23
LITTER CONTROL PARTICIPATION PERMIT FEE	23
HARD TO DISPOSE MATERIAL.....	24
TAX ON INSURANCE COMPANIES.....	24
Insurance Premiums Tax	24

ALCOHOLIC BEVERAGES TAX AND SERVICE IMPORT FEES.....	25
Taxes and Service Charges.....	25
Liquor Licenses.....	25
PARI-MUTUEL BETTING AND BREAKAGE TAXES – DOGS	25
JAI ALAI BETTING AND BREAKAGE TAXES	26
ADMISSIONS TAX TO RACING EVENTS	26
SIMULCAST TAXES	26
REAL ESTATE CONVEYANCE TAX	26
CONVEYANCE TAX ON MOBILE OR MANUFACTURED HOME.....	27
TOBACCO PRODUCTS TAX.....	27
LOCAL MEALS AND BEVERAGE TAX.....	28
SURCHARGE ON TRANSIENT PARKING WARWICK AIRPORT PARKING DISTRICT	28
WITHHOLDING ON SALE OF REAL PROPERTY BY NONRESIDENTS.....	28
SALE OF A BUSINESS OR MAJOR PART IN VALUE OF THE ASSETS	29
TAX LIENS	29
NONRESIDENT CONTRACTORS	30
INTEREST	30
CREDITS.....	30
EDUCATIONAL ASSISTANCE & DEVELOPMENT CREDIT	30
ADULT EDUCATION TAX CREDIT	30
HAZARDOUS WASTE FACILITIES AMORTIZATION.....	31
CREDIT FOR ARTWORK EXHIBITION	31
HISTORICAL RESIDENCE CREDIT	31
EMPLOYER’S APPRENTICESHIP TAX CREDIT	31
CREDITS FOR DAYCARE ASSISTANCE AND DEVELOPMENT	32
ENTERPRISE ZONE TAX BENEFITS.....	32
Enterprise Zone Donation Credit.....	33
Resident Business Owner Modification	33
Enterprise Zone Interest Credits	33
Business Tax Credit	34
SBA GUARANTY FEE CREDIT.....	34

RESEARCH AND DEVELOPMENT CREDIT – PROPERTY	34
RESEARCH AND DEVELOPMENT CREDIT – EXPENSES	35
RESIDENTIAL LEAD PAINT CREDIT	35
NEW EMPLOYMENT INCENTIVE	35
RHODE ISLAND JOBS DEVELOPMENT ACT.....	35
RHODE ISLAND ENTERPRISE ZONE MILL BUILDING TAX INCENTIVES	36
ALTERNATIVE FUELS TAX INCENTIVES.....	36
DISABILITY ACCESS CREDITS FOR SMALL BUSINESSES	36
ISO CERTIFICATION CREDIT	36
CREDIT FOR JOB TRAINING EXPENSES.....	37
RENEWABLE ENERGY SYSTEMS CREDIT	37
HISTORIC STRUCTURES TAX CREDIT	37
TELEPHONE INDEX.....	38
STARTING A BUSINESS IN RHODE ISLAND.....	39
LOCAL PROPERTY TAXEES	39
QUESTIONS & ANSWERS ON SALES/USE TAXES FOR A NEW BUSINESS	40
FREQUENTLY ASKED QUESTIONS ABOUT EMPLOYMENT TAXES	45
TAXPAYER RIGHTS AND RESPONSIBILITIES.....	46
WHAT IF I DON'T AGREE WITH MY TAX BILL –	
HOW DO I EXERCISE MY RIGHTS AS A TAXPAYER.....	49
NOTICE OF TAX DUE	49
PENALTIES	49
TAXPAYER OPTIONS.....	49
TAXPAYER REQUEST	50
MISSION	51

SALES AND USE TAX

(Title 44, Chapters 18 and 19)

Transactions Subject to the Sales Tax

The law provides generally for a tax on sales at retail of tangible personalty and certain public utility services. Note that any sale is a retail sale if the property sold is not to be resold in the regular course of business; thus, a manufacturer or wholesaler is making retail sales when he or she sells items which will be used, rather than resold, by the purchaser.

The sales tax applies to the following retail sales:

1. Sales of goods, wares, and merchandise, including meals, alcoholic and nonalcoholic beverages, motor vehicles not requiring registration, automobile lubricants and accessories (but not gasoline), building materials and fixtures and most other types of tangible personalty.

Sales and casual sales of motor vehicles, airplanes and trailers (except mobile homes) are also taxable. (Refer to the parts of this section relating to Use Tax.)

2. Sales of food or drinks served at restaurants, soda fountains, hotels, bars, clubs and similar places.

3. The fabrication or production of any item of personal property to the special order of a customer, such as printing or photography.

4. The furnishing of certain public utility services. Telephone and telegraph services are taxable whether furnished by a private corporation or by a city or town. Except for home consumption, the furnishing of electric, water or gas is also taxable. The furnishing of community antennae television and cable television services is also taxable.

5. The leasing or renting of tangible personal property such as bicycles, typewriters, and other business machines, trucks, automobiles and other personalty.

6. Rental charges for transient accommodations for the first 30 days of each rental period.

7. Sales of prepaid telephone calling cards or calling arrangements (effective 01/01/2000).

Transactions Not Subject to the Sales Tax

The following transactions are not subject to the sales tax:

1. Sales of drugs and medicines sold on prescription, and proprietary medicines, popularly called, patent medicines. Also, sales of disposable or re-useable devices such as syringe infusers and ambulatory drug delivery pumps and supplies used in connection therewith when sold on prescription to individuals to be used by them to dispense or administer prescription drugs.

2. Sales of food (excluding take-out orders sold by a restaurant, drive-in or other eating place) for human consumption off the premises of the retailer. This exemption includes

noncarbonated and noneffervescent bottled water as well as eligible food stamp items for which payment is properly made in U.S. Government Food Stamps.

3. Sales of clothing and footwear.

4. Sales of gasoline and other motor fuels taxed by the State of Rhode Island under the gasoline tax.

5. Sales of newspapers.

6. Sales of meals to students and teachers by schools, colleges, universities, student organizations and parent-teacher organizations and by persons having a concession agreement with the school, college or university.

7. Sales of returnable containers (such as milk, beer, or soda bottles) in connection with the retail sale of the contents.

8. Sales of nonreturnable containers, boxes, paper bags, and wrapping materials, when sold to persons who place or wrap the contents in the containers or wrapping materials and sell the contents with the materials used for packaging.

9. Sales of tangible personalty and public utility services when the property or service becomes a component part of a manufactured product for resale, or when the property or service is consumed in the process of manufacturing or processing products for resale.

Tools, dies, and molds and machinery and equipment (including replacement parts thereof), and computer software, to the extent used in an industrial plant in the actual manufacture, conversion or processing of tangible personal property to be sold.

10. Sales to (but not sales by) institutions or organizations operated exclusively for religious or charitable purposes such as hospitals not operated for profit, educational institutions not operated for profit, churches, orphanages, interest-free nonprofit loan associations, nonprofit sporting leagues and bands for youths under 19, nonprofit senior citizens groups, parent-teacher associations and the following vocational student organizations that are state chapters of national vocational student organizations: Distributive Educational Clubs of America (DECA); Future Business Leaders of America/Phi Beta Lambda (FBLA/PBL); Future Farmers of America (FFA); Future Homemakers of America/Home Economics Related Occupations (HERD); and Vocational Industrial Clubs of America (VICA). Such sales must not only be made to such organizations (holding a valid Rhode Island sales tax exemption number) but payments made for such sales must be made by the organization or institution.

11. Sales to (but not sales by) the Federal Government, this state, any city, town, district, or other political subdivision of this state.

12. Professional services, such as those provided by physicians, attorneys, accountants, engineers and others. However, the tax applies to any tangible personalty which may be sold at retail by such professionals, e.g.--opera glasses, field glasses, etc.

13. Occupational services such as provided by barbers, beauty parlors, bootblacks, cleaning and pressing shops, laundries, and similar service establishments. However, the tax applies to any tangible personal property which may be sold at retail by such establishments.

14. Professional services rendered in creating a custom computer program to the special order of a particular user.

15. Sales in interstate commerce. A shipment by common carrier, United States Mail, or delivery facilities operated by the seller to a purchaser located outside Rhode Island is not subject to the tax. However, if delivery to the purchaser or his or her agent (except to an out-of-state retailer or manufacturer purchasing goods for resale or raw materials for incorporation into a finished product for resale and who furnishes a Rhode Island Exemption Certificate) is consummated within the state, the tax applies.

16. Sales to a retailer of any property which will be resold in the regular course of business.

17. Sales of real estate. However, tangible personalty used in the construction or repair of buildings is subject to the tax.

18. Sales or transfers of intangible personal property such as stocks, bonds, accounts receivable, money, or insurance policies.

19. Sales of motor vehicles to bona fide nonresidents who do not register the vehicles in this state whether delivery is made in this state or to a place of residence outside this state.

Exception: All Rhode Island motor vehicle dealers are required to add and collect sales tax on motor vehicle sales to a bona fide nonresident of Rhode Island if the person's state of residence imposes a sales tax on the sale of a motor vehicle to its nonresidents. The dealer is required to collect tax on the sale at a rate equal to the rate that would be imposed in the nonresident's state of residence.

20. Sales of air and water pollution control equipment for incorporation into or used and consumed directly in the operation of a facility or installation approved by the Rhode Island Director of Environmental Management.

21. Rental charges for living quarters at camps or retreat houses, operated by religious, charitable, educational or other organizations mentioned in item 10; hospitals, nursing homes (living quarters to patients); or nonprofit educational institutions (living quarters for students).

22. Sales of "specially adapted motor vehicles" to persons with disabilities.

23. Sales of every type of fuel and water for residential use.

24. Casual sales (five or less within a 12 month period).

25. Sales of prosthetic and orthopedic appliances.

26. Sales of coffins, caskets and burial garments.

27. Sales in public buildings by blind people.

28. Trade-in allowances on private passenger automobiles. Also exempted are motor vehicle insurance proceeds received from an insurance claim as a result of a stolen or damaged motor vehicle towards the purchase of a new or used private passenger automobile if the tax has not been reimbursed as part of the insurance claim as well as proceeds received from the automobile manufacturer for repurchase whether or not the repurchase was voluntary.

29. Sales of precious metal bullion.

30. Sales made to a commercial ship, barge or other vessel of 50 tons burden or over, primarily engaged in interstate or foreign commerce.

31. Nets, cables, tackle and other fishing equipment used in connection with the commercial fishing of vessels in excess of five (5) net tons. Also exempted are supplies and materials for the maintenance and/or repair of the vessels.

32. Sales of items for not more than \$20 each by nonprofit Rhode Island eleemosynary organizations for the purposes of youth activities, which the organization is formed to sponsor and support; and by accredited Rhode Island elementary and secondary schools for the purposes of those schools or of organized activities of their students.

33. Sale of farm equipment (including replacement parts), which are used directly for commercial farming and agricultural production; lumber, hardware and other materials used in the new construction of farm structures; and tools and supplies used in the repair and maintenance of farm equipment. The farming or agricultural production must provide at least \$2,500 in annual gross sales to the farm operator. The boarding of five (5) or more horses is included in the definition of "commercial farming."

34. Sale of compressed air.

35. Sales of United States, Rhode Island or POW-MIA flags.

36. Sales of boat manufacturers' promotional and product literature shipped to points outside Rhode Island when the literature accompanies the product sold, is shipped to out-of-state dealers for use in product sales, or is mailed to customers at no charge.

37. Sales of new or used textbooks in Rhode Island by an educational institution and sales of used textbooks in Rhode Island by any vendor.

38. Sales of scientific equipment, computers, software and related items to the extent used for research and development purposes by a qualifying firm. The qualifying firm must furnish the vendor a Rhode Island Research and Development Exemption Certificate.

39. Sales of coins having numismatic or investment value.

40. Sale of carrier access service or telecommunications service when purchased by one telecommunications company from another telecommunications company.

41. Sale or lease of buses, trucks and trailers used exclusively in interstate commerce by a bus or trucking company.

42. Sale of tangible personal property used to display any jewelry product, provided that title to said jewelry product is transferred by the jewelry manufacturer or seller and said jewelry display product is shipped out of state for use solely outside the state and is not returned to the manufacturer or seller.

43. Sale of a new or used boat.

44. Sale of a mobile and manufactured home (the type located in a mobile and/or manufactured home park); does not include modular homes.

45. Alternative fuels, alternative fueled vehicles (including the costs to convert gasoline and diesel-fueled motor vehicles) and all costs associated with the construction of filling stations dispensing alternative fuels and motor vehicle electric recharging stations.

46. Original artwork created and sold by artists, writers, and composers residing in and having a principal place of business within designated zones of the cities of Providence, Pawtucket, Westerly and Woonsocket. Sales of original one-of-a-kind artwork sold by art galleries within the eligible zones are also exempt.

47. Building materials used in the reconstruction of a manufacturing business located in Rhode Island, which has suffered a "disaster" (i.e. destruction of sixty percent [60%]) or more to the extent that the cost of such reconstruction materials are not reimbursed by insurance.

48. Sale of tangible personal property and supplies used by florists in the processing or preparation of floral products and floral arrangements.

49. The sale of horse food products to persons engaged in the business of boarding horses.

50. Sales of nonmotorized recreational vehicles sold to bona-fide nonresidents who do not register the vehicles in this state whether delivery is made in this state or to a place of residence outside this state.

Exception: All Rhode Island licensed nonmotorized recreational vehicle dealers are required to add and collect sales tax on nonmotorized recreational vehicle sales to a bona-fide nonresident of Rhode Island if the purchaser's state of residence imposes a sales tax on the sale of a nonmotorized recreational vehicle to its nonresidents. The dealer is required to collect tax on the sale at a rate equal to the rate that would be imposed in the nonresident's state of residence.

51. Sale of sprinkler and fire alarm systems, emergency lighting and alarm systems, and the sale of materials necessary and attendant to the installation thereof, that are required in buildings and occupancies therein existing in July, 2003 in order to comply with any additional requirements for such buildings arising directly from the enactment of the Comprehensive Fire Safety Act of 2003.

Imposition and Collection of the Sales Tax

The sales tax is imposed upon the retailer at the rate of 7% of the gross receipts from taxable sales and the retailer collects from his or her customers tax which he or she pays to the state.

The retailer adds the tax to the purchase price and collects it from the consumer in accordance with the following bracket system:

<u>Amount of Sale</u>	<u>Amount of Tax</u>
\$0.01 to \$0.07	No Tax
\$0.08 to \$0.21	\$0.01
\$0.22 to \$0.35	\$0.02
\$0.36 to \$0.49	\$0.03
\$0.50 to \$0.64	\$0.04
\$0.65 to \$0.78	\$0.05
\$0.79 to \$0.92	\$0.06
\$0.93 to \$1.07	\$0.07

Where the amount of the sale is more than \$1.07, the amount of the tax to be collected is 7% of the total selling price. It is unlawful for any retailer to advertise or state that he or she will absorb the tax. The retailer is required to add the tax to the sales price according to the schedule above.

Permits

Any manufacturer, wholesaler, jobber or other business establishment which sells any tangible personalty to be used, and not resold, by the purchaser is a retailer. Every person, firm or organization engaged in the business of making retail sales in this state is required to obtain a permit. These permits can be obtained from the Division of Taxation for \$10. Every permit holder shall annually, on or before February 1, of each year renew its permit by filing an application for renewal along with a \$10 renewal fee.

Out-of-state vendors conducting activities in Rhode Island must register and obtain a permit to collect the tax.

Any vendor who has an actual business location in Rhode Island or leases tangible personal property here must collect and pay Rhode Island sales/use tax. There are, as well, other business activities any one of which may require an out-of-state vendor to collect the Rhode Island sales/use tax. Some of these are:

1. Solicitation here - Example: If a Connecticut furniture vendor sends salespeople to Rhode Island to solicit prospective customers, then all sales delivered to Rhode Island purchasers are subject to the Rhode Island sales/use tax.

2. Delivery here - Example: If a Massachusetts lumberyard sells sheetrock to a contractor in Rhode Island and delivers it to the customer in its own vehicle, then the sale is subject to the Rhode Island sales/use tax.

3. Installation and/or Repair of Products here - Example: If a Massachusetts TV and appliance store sends its service people into Rhode Island to repair a television set previously sold to a Rhode Island customer, then the sale of replacement or repair parts is subject to the Rhode Island sales/use tax.

Temporary Permit

The Tax Administrator may issue a temporary permit for a fee of \$10 to any person engaging in retailing in this state for a limited time, or to an itinerant merchant, seasonal retailer, peddler or person selling tangible personal property at retail without a permanent or fixed place of business in Rhode Island.

Flea Market Vendors

Flea market vendors are not issued a permit to make sales at retail but must instead apply for a special flea market vendor's permit. A flea market vendor's annual registration fee is \$120 but a flea market vendor may, at its option, register on a quarterly basis for a fee of \$40 or on a 30-day basis for a fee of \$10.

Sales Tax Returns and Payments

On or before the 20th day of each month, the retailer must file a return for the previous calendar month and pay the tax due. All retailers must report sales on an accrual basis. Sales must be reported in the month in which the sale takes place regardless of when the money or consideration for the sale is received by the retailer.

Taxpayers may apply to the Tax Administrator for permission to file and remit sales tax on a quarterly basis. To qualify, the filing records will have to show that the taxpayer's average sales tax liability for the past 6 months has been less than \$200 per month. If approved, quarterly returns are due on the last days of July, October, January and April to reflect the activity for the prior three months.

Tax Collection -- Trust Funds

Tax collection as property held in trust for state. All taxes collected by any retailer from purchases under the sales tax law, and all taxes collected by any retailer from purchases under color of the law, are a trust fund for the state until paid to the Tax Administrator. The trust is enforceable against:

- (a) The retailer;
- (b) Any officer, agent, servant or employee of any corporate retailer responsible for either the collection of the tax or the payment of the tax or both;
- (c) Any person receiving any part of the fund without consideration or knowing that the retailer (or any officer, agent, servant or employee of any corporate retailer) is committing a breach of trust; and
- (d) Their estates, heirs, and representatives. However, a purchaser to whom a refund has been properly made, or any person who receives payment of a lawful obligation of the retailer from the fund, shall be presumed to have received the same in good faith and without any knowledge of the breach of trust.

Penalty for Misappropriation

Any retailer (or any officer, agent, servant or employee of any corporate retailer responsible for either the collection or payment of the tax) who appropriates or converts the tax collected to his or her own use or to any use other than the payment of the tax to the extent that the money required to be collected is not available for payment on the due date as prescribed, shall be liable for the penalties for misappropriation. Upon conviction for each offense, that person may be fined not more than \$10,000 or be imprisoned for 1 year, or by both fine and imprisonment. The fine and imprisonment may be in addition to any other penalty provided by law.

Use Tax -- Returns and Payments

Complementing the sales tax, a use tax is imposed at 7% on the storage, use or consumption in this state of tangible personalty, including a motor vehicle, airplane or trailer purchased from any retailer. The tax also applies to a casual sale of a motor vehicle, airplane or trailer. A casual sale is a sale made by a person other than a licensed motor vehicle dealer (including an auctioneer selling a motor vehicle at an auction), or other than a retailer of airplanes or trailers.

In the case of a casual sale of a motor vehicle, the tax imposed cannot be less than the product obtained by multiplying the tax rate by the retail dollar value. Where the sales price is greater than the retail dollar value, the sales price is used. The retail dollar value is the amount shown in the current issue of a recognized guide used for appraisal purposes in Rhode Island. Within 30 days after payment of the tax, the Tax Administrator may, on request, redetermine the retail dollar value after affording the taxpayer reasonable opportunity to be heard. Some casual sales, such as those made between members of the immediate family, are exempt. In some cases, the use tax will be collected from the consumer by a retailer.

Use tax returns are required from every retailer and also from every person who purchases property subject to the use tax unless the tax has already been paid to a retailer authorized to collect it. Returns must be filed on or before the 20th day of the month to cover the preceding calendar month and the tax must be remitted with the return. Individuals who owe a use tax on non-business related purchases may elect to pay once a year by entering the amount on the use tax line of their RI personal income tax return that is filed the following April 15th.

Taxpayers may apply for permission to file and remit use tax on a quarterly rather than on a monthly basis. To qualify, the filing records will have to show that the average use tax liability for the past 6 months has been less than \$200 per month. If approved, quarterly returns are due on the last days of July, October, January and April to reflect the activity of the prior three months.

Resale and Manufacturer's Exemption Certificates

The burden of proving that the tax does not apply is upon the person who makes the sale, as well as the purchaser, unless the seller obtains a Rhode Island resale certificate (the items purchased are to be resold) or a Rhode Island manufacturer's exemption certificate (the items purchased are for manufacturing purposes) from the purchaser.

The manufacturer's exemption certificate is used to cover tangible personalty purchased for the purpose of being manufactured in Rhode Island into a finished product for resale and becomes a recognizable, integral part of that finished product. The manufacturer's exemption certificate also covers tangible personalty to be consumed by the purchaser in Rhode Island within one year from the date the property is first used directly in the process of manufacturing, or processing a finished product for resale. Also covered by this certificate is property to be used in Rhode Island directly and exclusively in an industrial plant in the manufacture of tangible personalty to be sold or used in the furnishing of power to an industrial manufacturing plant.

The resale certificate is used to cover tangible personalty which is being purchased solely for resale. Any certificate or statement that contains the required information and signature is acceptable. The required information should include the buyer's name and address and a statement that the goods being purchased are for resale, manufacturing, etc. The permit number of the purchaser should be shown on any resale certificate. If the purchaser is located outside Rhode Island or is not required to hold a permit for other reasons, the facts should be shown on the resale certificate. If the purchaser is a wholesaler, a wholesale resale certificate may be furnished.

These certificates need not be sent to the Tax Administrator. They should be retained by the seller until they are required by the Tax Administrator or his agent or until their destruction is permitted.

Credit for Sales or Use Taxes Paid in Another Jurisdiction

The law provides for crediting the sales or use tax properly and actually paid to another jurisdiction when computing the use tax on an article brought into Rhode Island which is subject to the sales or use tax imposed here.

Refund for Qualifying Renewable Energy Systems

The law provides for a refund of sales tax paid on certain types of renewable energy systems including solar, wind and photovoltaic systems.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

PERSONAL INCOME TAX (Title 44, Chapter 30)

Persons Subject to the Tax

A personal income tax is imposed for each taxable year (which is the same as the taxable year for federal income tax purposes) on the Rhode Island income of every individual, estate and trust. The Rhode Island tax is based on federal adjusted gross income subject to modification. Contact the Rhode Island Division of Taxation for the current rate. Terms used in the Rhode Island personal income tax laws have the same meaning as when used in a comparable context in the federal income tax laws unless a different meaning is clearly required.

Returns

A personal income tax return must be computed and filed on or before the 15th day of the fourth month following the close of a taxable year.

Generally, if a husband and wife file a joint federal income tax return, they must also file a joint Rhode Island return. Individuals filing joint Rhode Island income tax returns incur joint and several liability for the Rhode Island income tax.

Residents and nonresidents (including resident and nonresident estates and trusts) are required to pay estimated taxes for each taxable year if the estimated tax can reasonably be expected to be \$250 or more in excess of any credits allowable against the tax.

Resident and Nonresident Individuals

All the income (plus or minus any allowable modification) of a Rhode Island resident is subject to the personal income tax. For nonresidents only that portion of income attributable to Rhode Island sources is subject to the tax.

A resident is a person domiciled in the State of Rhode Island or although not domiciled here does maintain a permanent home in Rhode Island and is here for a total of more than 183 days of the taxable year.

A nonresident individual is an individual who is not a resident.

Rhode Island source income for nonresidents is from the following sources:

1. Services performed in Rhode Island including amounts received from unemployment compensation, a stock ownership plan or a profit sharing plan that is required to be included in Federal adjusted gross income and is directly connected to current or prior Rhode Island employment.
2. A trade, business or profession conducted in the state which shall include the distributive share of income from a Rhode Island partnership and the portion of income from a Rhode Island estate or trust that is directly derived from a trade or business conducted in this state.
3. Income from real property located in Rhode Island which shall include the gain on the sale of such real property.
4. Gambling winnings from the Rhode Island Lottery and from pari-mutual events licensed within this state.

Armed Forces service personnel stationed in Rhode Island who are domiciliaries of other states are not subject except for income (other than service pay) derived from Rhode Island sources. Rhode Island domiciliary service personnel are subject on all income even though stationed outside Rhode Island and notwithstanding the fact that they may spend no time at all in Rhode Island during a taxable year.

A resident estate or trust is the estate of a decedent who, at death, was a resident of this state and, generally, where the beneficiaries are Rhode Island residents.

Modifications

Certain types of income may be subject to Rhode Island taxation but exempt for Federal purposes or taxable for Federal purposes and exempt from state taxation.

Examples include: (1) interest from municipal bonds from states other than Rhode Island is subject to Rhode Island taxation but exempt for Federal purposes; and (2) interest from U.S. Government obligations is subject to federal taxation but is exempt from state taxation.

Family Education Account Modifications

Taxpayers who have set up family education accounts for their dependents treat the income from those accounts as a modification reducing their federal adjusted gross income for the purposes of calculating their Rhode Island tax. Recaptures resulting from nonqualified withdrawals from family education accounts are treated as modifications increasing federal adjusted gross income for both resident and nonresidents.

Artist's Modification

There is a modification reducing federal adjusted income for Rhode Island purposes for the profit or gain realized by a writer, composer or artist from the publication, production or sale of a "work" if the "work" was created while the artist was residing in a statutory defined economic development zone and the gain is received while the artist is a resident of that zone.

RI 529 Plan Modification

A modification of \$500 (\$1,000 on a joint return) reducing federal adjusted gross income is available for qualifying contributions during 2002 to the RI 529 tuition savings plan.

Withholding Requirements

Every employer maintaining an office or transacting business within this state and paying wages subject to the Rhode Island personal income tax is required to withhold Rhode Island income tax from these wages. The withholding is an amount substantially equivalent to the tax estimated to be due from the employee.

The method of determining the amount to be withheld is prescribed by regulations of the Tax Administrator. Every employer required to deduct and withhold the personal income tax is liable for the proper reporting and payment of the tax.

Penalties

The law provides penalties for failure to file an income tax return, for failure to pay any tax on or before the due date and for preparing or filing a fraudulent income tax return.

Property Tax Relief Credit

The property tax relief program provides benefits to Rhode Island residents whose total household income does not exceed \$30,000. The amount of the property tax relief claim may be treated either as a refund against the claimant's Rhode Island personal income tax return or paid directly to the claimant if no tax return is required to be filed. The claim is based on either 20% of the rent paid or on the property tax paid. The refund is calculated based on the amount by which the property taxes (or rent) exceed a percentage of the household income. The maximum refund is \$250.

If the claimant is 65 years of age or older or a disabled person who has received social security disability payments during the year for which the claim was filed, he or she will receive the full amount of property tax relief for which he or she qualifies. However, if the claimant is not 65 years of age or not disabled, the property tax relief claim will be held until June 30th. At that time, the tax administrator will pay each claim proportionately, based on the monies remaining in the appropriation.

Credit for Income Taxes of Other States

Rhode Island personal income tax law provides that a resident will be allowed a credit against his/her Rhode Island personal income tax due for the taxable year for the aggregate net income taxes imposed on him/her for the taxable year by other states (including the District of

Columbia) of the United States. This credit cannot exceed the proportion of the taxpayer's Rhode Island personal income tax that the taxpayer's Rhode Island income derived from the other taxing states bears to his/her entire Rhode Island income for the same taxable year.

Qualifying Widow(er) Credit

Under Section 44-30-26, a Rhode Island resident may qualify for a Rhode Island personal income tax credit based on 2% of his/her adjusted gross income up to a maximum of \$500. To qualify, individuals must be residents for the entire year, be 65 years of age or older, and both qualify and file his/her Federal income tax return as a qualifying widow(er) with a dependent child for that tax year. The credit is claimed on form RI SP-01.

Other Credits

Also see portions of this booklet for various credits which may be available.

BUSINESS CORPORATION TAX (Title 44, Chapter 11)

Corporations deriving income from sources in Rhode Island or engaging in activities for the purpose of profit or gain must pay a tax of 9% of net income as reported to the Federal Government and apportioned to Rhode Island. The minimum business corporation tax under either calculation is \$250. Also refer to the estimated tax provisions.

Corporations which together with all corporations under direct or indirect, common ownership that satisfy the other requirements of this paragraph employ not less than five (5) full-time employees in the State of Rhode Island; which maintain an office in the State of Rhode Island and the activities of which within the State of Rhode Island are confined to the maintenance and management of their intangible investments or of the intangible investments of corporations or business trusts registered as investment companies under the Investment Company Act of 1940, as amended (15 U.S.C. 80A-I et seq.) and the collection and distribution of the income from such investments or from tangible personal property physically located outside the State of Rhode Island are exempt from the corporate income tax. For purposes of this paragraph, "intangible investments" shall include, without limitation, investments in stocks, bonds, notes and other debt obligations (including debt obligations of affiliated corporations), patents, patent applications, trademarks, trade names, copyrights and similar types of intangible assets.

Apportionment

Corporations with a regular place of business outside Rhode Island are entitled to apportion their net income or net worth.

The apportionment factor for net income or net worth is computed by averaging:

- (1) the ratio of real and tangible property held or owned in Rhode Island to such property everywhere;
- (2) the ratio of salaries and wages paid in Rhode Island to salaries and wages everywhere; and
- (3) the ratio of gross receipts in Rhode Island to gross receipts everywhere.

In computing the gross receipts factor, the point of destination is used to determine receipts from sales of tangible personal property. One hundred percent of the receipts from these sales are attributed to Rhode Island when the property is located here and is shipped to points here; or when property is located outside Rhode Island and shipment is made to points in Rhode Island.

Apportionment methods for regulated investment companies; securities dealers; certified facilities by the U.S.F.D.A.; and taxpayers who sell, manage, distribute or administer services relating to pension plans may be different. Also see portions of the booklet for various credits which may be available.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

EMPLOYMENT TAXES (Title 28, Chapters 39-44)

With few exceptions, employers of one or more workers in Rhode Island are subject to Employment Security, Temporary Disability and Job Development taxes. Employers of part-time and seasonal workers are subject even if their employees work for only part of a day. Employers of domestic workers who have paid \$1,000 or more in total cash wages in any calendar quarter are also subject.

Employment Security Tax

Employers must pay the Employment Security tax quarterly. The tax is based on each employee's wages up to the annually computed taxable wage base. The amount is determined by multiplying the individual employer's tax rate by the total amount of taxable wages paid by the employer.

Temporary Disability Insurance Tax

This is a tax paid by employees through payroll deduction. Employers are responsible for making the required deductions (1.5% of each employee's first \$46,800 in wages) and forwarding all employees' TDI withholdings on a quarterly basis.

Job Development Assessment

Each employer is assessed a 0.21% tax to support the Rhode Island Human Resource Investment Council. These monies assist RI employers by funding a variety of projects designed to improve and upgrade the skills of the existing workforce.

Quarterly Wage Reports

Quarterly Tax and Wage Reports (form TX-17) must be completed and filed by the last day of the month following the end of the calendar quarter by all Rhode Island employers including those not required to fill in the Quarterly Tax Section of the form. Employers should report only on employees to whom wages were paid during the quarter. Corrections or adjustment for previously reported quarters must be submitted separately with a letter of explanation.

INVESTMENT CREDIT (Title 44, Chapter 31)

A credit is allowed against the business corporation tax and Rhode Island personal income tax for tangible personalty and other tangible property (including buildings) which have a situs in this state and are principally used by the taxpayer in the production of goods by manufacturing, processing or assembling. The credit is computed at 4% of the cost or other basis used for federal income tax purposes. The credit may not reduce the tax to less than the minimum business corporation tax. Qualifying special classes of businesses by SIC Code may use a 10% rate.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

ELECTIVE DEDUCTION FOR NEW RESEARCH AND DEVELOPMENT FACILITIES (Title 44, Chapter 32)

A one-year writeoff is allowed for expenditures paid or incurred during the taxable year for the construction, reconstruction, erection, or acquisition of any property which is used or to be used for the purposes of research and development in the experimental or laboratory sense. The deduction is allowed under either the Rhode Island business corporation tax law or the Rhode Island personal income tax law.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

ACCELERATED AMORTIZATION DEDUCTIONS FOR CERTAIN MANUFACTURERS

Certain qualified corporations which have produced over a period of five years annually goods worth at least \$10,000,000 where on the average at least eighty percent (80%) of that production has been for sale to a branch of the United States Armed Services may accelerate the amortization of depreciation of its depreciable assets over a five year period.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

CORPORATION FRANCHISE TAX (Title 44, Chapter 12)

Every corporation chartered in Rhode Island or qualified to do business here must pay a tax of \$2.50 for each \$10,000 of authorized capital stock. No par stock is valued at \$100 per share. The minimum franchise tax is \$250.

Inactive corporations and those not engaged in business here during the taxable year are taxed: \$250 where such stock does not exceed \$1,000,000; and \$12.50 per additional \$1,000,000 or part thereof. This tax is payable only when it is more than the business corporation tax.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

DECLARATION OF ESTIMATED TAX BY CORPORATIONS (Title 44, Chapter 26)

Each business corporation, insurance company, surplus line broker, public service corporation and bank subject to the bank excise tax and/or the tax on bank deposits must pay estimated taxes if its estimated tax for the taxable year can reasonably be expected to exceed \$500.

The entire amount 100% of the estimated tax is payable in these 2 installments: first installment of 40% on or before the fifteenth day of the third month of the taxable year; and second installment of 60% on or before the fifteenth day of the sixth month of the taxable year.

Surplus line brokers must pay 100% of the estimated tax in four (4) equal installments on the following dates: April 30; June 30; October 30; and December 31.

INQUIRIES: PLEASE CALL THE CORPORATION SECTION FOR ADDITIONAL INFORMATION, OR THE FORMS SECTION FOR RETURNS.

TAX ON GROSS EARNINGS OF PUBLIC UTILITIES (Title 44, Chapter 13)

The law imposes an annual excise tax payable March 1 on public service corporations and public service companies engaging in the same business as public service corporations. The tax is measured by gross earnings for the preceding calendar year and is computed as follows:

- (1) Cable corporations -- 8%;
- (2) Electric companies, telegraph companies, and express companies doing business on steamboats -- 4%;
 - (a) For manufacturing customers:
 - Effective July 1, 1994 the rate will be 3%
 - Effective July 1, 1995 the rate will be 2%
 - Effective July 1, 1996 the rate will be 1%

Effective July 1, 1997 the rate will be 0%

- (3) Gas companies -- 3%;
 - (a) For manufacturing customers:
 - Effective July 1, 1994 the rate will be 2%
 - Effective July 1, 1995 the rate will be 1%
 - Effective July 1, 1996 the rate will be 0%
- (4) Common carrier steamboat, ferryboat, street railway, dining car, sleeping car, chair car or parlor car corporations and water and toll bridge companies -- 1 1/4%; and
- (5) Telecommunications corporations -- 5% effective July 1, 1997.

The minimum tax payable is \$100. ALSO, refer to the estimated tax provisions.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

BANKING INSTITUTIONS -- TAX ON INTEREST-BEARING DEPOSITS (Title 44, Chapter 15)

"Banking Institution" means every state bank, federal savings bank, trust company, national banking association, mutual savings bank, building and loan association, and loan and investment company.

An annual tax is imposed on every banking institution at .0695 (for banking institutions with total deposits in excess of \$150,000,000) or at .0625 (for those institutions with total deposits of \$150,000,000 or less) on each \$100 of the daily average of the deposits during the calendar year. For the period January 1, 1997 through December 31, 1997, the .0695 rate shall be reduced to .0348. For the period beginning January 1, 1998 and thereafter, the rate shall be 0%.

An annual tax is imposed on every credit union with total deposits in excess of \$150,000,000 at .0695 on each \$100 of the daily average of deposits with the credit union during the calendar year. For credit unions with total deposits of \$150,000,000 or less, the rate is .0625 on each \$100 of the daily average of deposits. "Credit Union" means a credit union with its principal place of business here.

A report must be filed by January 15 of each year showing the tax that will be due the following June 15. A tax return with payment must be filed and paid by June 15 of each year. The amount of corporation franchise tax paid by any building and loan association or savings and loan association in the same year shall be credited against this tax.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

BANKING INSTITUTIONS -- EXCISE TAX

(Title 44, Chapter 14)

For the privilege of existing as a banking institution during any part of the year, each state bank, trust company, or loan and investment company in the state must annually pay an excise tax to the Tax Administrator measured by:

- (1) 9% of its net income for the preceding year, or
- (2) \$2.50 per \$10,000 or fraction thereof of its authorized capital stock as of the last day of the preceding calendar year.

The tax payable is the higher of the two. A national bank within this state must only pay the excise tax measured by #1 above. The minimum tax payable is \$100. The tax is self-assessed and must be filed and paid on or before March 15 of each year. Banks which have their principal place of business or a branch in Rhode Island will apportion their net income under the Tax Administrator's rules and regulations. Also please refer to the estimated tax provisions.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

HEALTH CARE PROVIDER ASSESSMENT

(Title 44, Chapter 50)

This chapter imposes an assessment on "gross patient revenue" on residential facilities for the mentally retarded for each month beginning on January 1, 1991 at the rate of 25% provided however that the rate shall be 6% on "gross patient income" received on or after September 11, 1993.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

NURSING FACILITY PROVIDER ASSESSMENT

(Title 44, Chapter 50)

This chapter imposes an assessment on "gross patient revenue" received by every nursing facility for each month for services provided on or after June 1, 1992 at the rate of 2.75%, provided however, that the rate shall be 3.75% of "gross patient revenue" received after September 30, 1995, and 6% for services provided on or after October 1, 2003.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

HOTEL TAX

(Title 44, Chapter 18)

All hotels, motels, tourist homes, tourist camps, lodging houses and inns offering a minimum of three rooms for which the public may, for a consideration, obtain transient lodging accommodations are required to collect and remit 5% hotel tax. The tax imposed applies to the first 30 consecutive calendar days of each rental.

The sales tax permit number assigned by the Rhode Island Division of Taxation to each hotel, motel, etc. operator is the hotel tax filing number and is to be shown on each month's hotel

tax return. The hotel tax is due and payable monthly on or before the 20th day of the month following the month for which return is required.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

MOTOR FUEL TAX (Title 31, Chapter 36)

Fuels Subject to Tax

Taxable fuels include gasoline, diesel, liquid propane and other volatile and inflammable liquids used or suitable for use for operating or propelling motor vehicles. Exempt fuels include lubricating oils, diesel fuel for the propulsion of marine craft, fuels used for the propulsion of airplanes, oils used for heating purposes and alternative fuels used by fleets consisting of 10 or more alternative fueled vehicles.

Licenses

A "distributor" of motor fuels in Rhode Island must obtain a license from the Tax Administrator. There is no charge for the license but a surety bond running to the General Treasurer must be filed with the Tax Division. The owner of a filling station must obtain a permanent license at \$5 for each station. A "peddler" must obtain a permanent license for \$5.

Tax and Returns

Each distributor is required to file a detailed report on or before the twentieth day of each month and pay thirty cents (\$.30) per gallon on all taxable gallons of fuel sold or used in this state.

Refunds

Under certain conditions, refunds of Rhode Island motor fuel tax already paid may be made to licensed commercial fishermen, persons, firms or corporations who purchase fuel for pumping, intaking or discharging sea or bay waters for maintaining fish, shellfish or lobsters; farmers, lumbermen, manufacturers who use diesel for the manufacture of power; water well drillers; persons or companies who use fuel for marine purposes (excluding pleasure craft); and municipalities and sewer commissions or agencies which use fuel in the operation of sewer treatment plants. All claims for refund must be filed within 240 days from the date of purchase.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

UNIFORM OIL RESPONSE AND PREVENTION FEE (Title 46, Chapter 12.7)

A uniform oil spill response and prevention fee in an amount not exceeding five cents (\$0.05) for each barrel of petroleum products, as set by the director of the Department of Environmental Management, is imposed upon every person owning petroleum products at the time the petroleum products are received at a marine terminal within Rhode Island by means of a vessel from a point of origin outside this state.

The fee is remitted to the Division of Taxation on the 30th day of each month based upon the number of barrels of petroleum products received during the preceding month.

Every owner of petroleum products is liable for the fee until it has been paid to the state, except that payment to a registered marine terminal operator is sufficient to relieve the owner from further liability for the fee.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

CIGARETTE TAX (Title 44, Chapter 20)

Method of Taxation

A tax of 85 ½ mills per cigarette is imposed on each cigarette and on each sheet of cigarette rolling paper sold or held for sale within Rhode Island (\$1.71 per package of twenty). Payment of the tax is evidenced by affixing the tax indicia to the bottom of the package. Distributors purchase indicia stamps at a discount to compensate them for stamping the packages.

Licenses and Reports

The annual fee for distributors who affix cigarette tax stamps is \$1,000 (Class A License) and \$100 (Class B License) for nonstamping distributors. Reports from cigarette distributors are due by the 10th day of each month for the activity of the preceding month. A cigarette dealer's permanent license costs \$25. Each individual vending machine is considered a separate unit and requires a dealer's permanent license.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

TAXATION OF MARIJUANA AND OTHER CONTROLLED SUBSTANCES (Title 44, Chapter 49)

The law requires dealers of illegal drugs to purchase tax stamps from the Rhode Island Division of Taxation and have them affixed to marijuana or other controlled substance packets, bags, bottles, etc. Holders of drugs seized without the appropriate tax stamps are subject to an assessment plus a penalty equal to 100% of the tax. The tax rates are as follows:

\$ 3.50	on each gram of marijuana or each portion of a gram
\$200.00	on each gram of controlled substance or portion or a gram
\$400.00	on each 10 dosage units of a controlled substance that is not sold by weight or portion thereof

RENTAL VEHICLE SURCHARGE (Title 31, Chapter 34.1)

A 6% surcharge applies to all rentals of private passenger motor vehicles designed to transport 15 or fewer passengers that are rented without a driver.

The surcharge is applied to the first 30 consecutive days only, on all rental contracts regardless of the duration of the rental but does not include long term leases.

The surcharge applies to the total amount of the contract, including charges for gas, insurance, etc., but before adding sales tax. The sales tax is computed on the entire charge, including the surcharge.

Fifty percent of the surcharge revenue is retained by the rental company and 50% is remitted to the state for deposit in the general fund on a quarterly basis.

Each rental company collecting and retaining surcharge amounts may reimburse itself from the funds retained for the total amount of motor vehicle licensing fees, title fees, registration fees and transfer fees paid to the State of Rhode Island and excise taxes imposed upon the rental companies on motor vehicles during the prior calendar year. The rental companies are required to file an annual rental surcharge return with the Division of Taxation and remit to the state any amount by which the surcharge amount retained (50%) exceeds the amounts paid for allowable fees and excise taxes. The return must be filed by February 15 for the previous calendar year.

ENVIRONMENTAL PROTECTION REGULATORY FEE (Title 46, Chapter 12.9)

A fee of one cent (\$0.01) is imposed on each gallon of motor fuel sold to owners and/or operators of facilities using underground storage tanks. The purpose of this law is to establish a fund to facilitate the clean-up of leaking underground storage tanks in order to protect the environment, including drinking water supplies and public health.

Each licensed motor fuel distributor and special distributor is required to collect the regulatory fee and remit same to the Tax Administrator as part of their quarterly motor fuel tax return. The fee is to be imposed when gasoline or diesel fuel is sold to owners/operators of underground storage tanks located in this state or, when such product is sold to unlicensed distributors who will be selling to owners and/or operators of underground storage tanks located in this state.

The fee is not required to be charged and collected when product is sold to owners and/or operators of underground storage tanks for which the motor and special fuels tax is inapplicable,

including but not limited to underground storage tanks used for the distribution of heating oil, used/waste oil, marine diesel or aviation fuel. The fee shall not be applicable to sales made to the U.S. Government nor to product that is not delivered into an underground storage tank.

ESTATE TAXES **(Title 44, Chapters 22 and 23)**

Estate

The tax is imposed upon the transfer of the net value of the assets of every resident decedent and the value of real and personal property of nonresident decedents located within this state.

The tax imposed shall be apportioned in accordance with the location of the assets with actual situs (both real and personal property) in another state. The fraction shall be Rhode Island assets over total estate assets.

Returns and Payments

The returns for all estate taxes must be filed and paid within 9 months of the date of the death unless granted an extension to file.

INQUIRIES: PLEASE CALL THE ESTATE TAX SECTION.

MOTOR CARRIER FUEL USE TAX **(Title 44, Chapter 36.1)**

A tax is imposed on motor carriers at the rate of thirty cents (\$0.30) per gallon on the use of fuel for the propulsion of vehicles weighing over 26,000 lbs. gross vehicle weight; having 3 or more axles regardless of weight; or are used in combination and the gross weight of the combined vehicles exceeds 26,000 lbs. on public highways in Rhode Island.

Effective July 1, 1996 the State of Rhode Island became a participant in the International Fuel Tax Agreement (IFTA). Fundamental to IFTA is the concept of "base stating". "Base stating" allows a motor carrier to be licensed in one state for the purpose of fuel tax reporting rather than licensing and filing in every state in which the carrier operates.

Any motor carrier (individual, corporation, partnership, association, trust or other entity) based in Rhode Island and operating 1 or more qualified vehicles in at least 1 other IFTA member jurisdiction must file an IFTA license application.

Subsequent to the application being approved and processed the licensee is issued an IFTA license and 2 identification decals for each qualified vehicle in its fleet. Additionally, each licensee must file an IFTA quarterly tax report on or before the last day of April, July, October and January.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

BEVERAGE CONTAINER TAX

(Title 44, Chapter 44)

A tax of 4 cents per case is imposed on each case of beverage containers sold by a beverage wholesaler (including any brewer, manufacturer, or bottler) to a beverage retailer or consumer in this state. Refillable and reusable beverage containers are exempt.

"Beverage" means carbonated soft drinks, soda water, mineral water and beer or other malt beverages. "Beverage container" is defined as any sealable bottle, can, jar or carton which contains a beverage.

On or before the 25th day of each month, the beverage wholesaler is required to file a return for the previous calendar month with the Tax Administrator and pay the amount of tax due.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

LITTER CONTROL PARTICIPATION PERMIT FEE (Title 44, Chapter 44)

All persons, corporations or other business entities selling or offering for retail sale food or beverages for immediate consumption and/or packaged food or beverages for sale on a take out or to go basis are required to obtain a "litter control participation permit" on or before August 1 of each year. When issued, the permit will run on a calendar year from January 1 through December 31. A litter control participation permit is required for each place of business in which the retailer makes taxable sales of food and/or beverages.

The permits are issued in different classes, depending upon the retailer's gross receipts at each location for the prior calendar year. The applicable fee for each class of permit is shown in the table below:

Gross Receipts Table	Class	Permit Fee
\$-0- to less than \$50,000	A	\$25
\$50,000 to less than \$100,000	B	\$35
\$100,000 to less than \$400,000	C	\$75
\$400,000 to less than \$1,000,000	D	\$100
\$1,000,000 or more	E	\$125 per million + fraction thereof

An applicant applying for a Class E permit pays a fee not to exceed \$1,000 if qualifying activities and the sale of food products (whether subject to sales tax or not) do not exceed 10% of the gross receipts for that permit location. In those cases where the retailer's only sale of food and/or beverages is the operation of a vending machine(s), the retailer may elect to obtain a \$25 Class A permit for each vending machine or obtain a permit based on gross receipts.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

HARD-TO-DISPOSE MATERIAL (Title 44, Chapter 44)

The hard-to-dispose material taxes include: tax of five cents (\$0.05) per quart (32 oz.) or five and 3/10th cents (\$0.053) per liter on lubricating oils; ten cents (\$0.10) per gallon or two and 64/100th cents (\$0.0264) per liter on antifreeze; one fourth of one cent (\$0.0025) per gallon or (\$.00066) per liter on organic solvents; and fifty cents (\$.50) per tire. For new motor vehicles, a fee of \$3.00 per vehicle is paid to the Registry of Motor Vehicles in conjunction with the titling of the new vehicle.

Every hard-to-dispose material wholesaler, whether located in Rhode Island or not, is required to charge and collect the tax from its customers. On or before the 25th day of the month, the wholesaler must file a return along with payment for all taxes imposed under the law for the previous month. Every hard-to-dispose material retailer selling, using, or otherwise consuming hard-to-dispose material in this state is liable for the tax. Its liability is not extinguished until the tax has been paid to the state unless the retailer has a receipt from a hard-to-dispose material wholesaler engaged in business in this state or authorized by the tax administrator to collect the tax.

TAXES ON INSURANCE COMPANIES **(Title 44, Chapter 17 & Title 27, Chapter 43, Section 9)**

Insurance Premiums Tax

In accordance with 44-17, R.I.G.L., each domestic insurance company doing business in Rhode Island must file a return each year on or before March 1 and pay a tax of 2% of its gross premiums. These are premiums on insurance contracts written during the preceding calendar year. The same tax applies to an out-of-state insurance company but the tax cannot be less than that which would be levied by the state or organization on a similar Rhode Island insurance company or its agents doing business to the same extent there, provided however, companies incorporated or organized in a state or country whose laws do not impose retaliatory taxes on other charges are exempt from retaliatory provisions of this state.

In accordance with Title 27, Chapter 43, Section 9, each captive insurance company must file a return each year on or before March 1 and pay a tax on direct premiums of two tenths of one percent (.002) on the first \$20,000,000; fifteen one-hundredths percent (.0015) on the next \$20,000,000; one tenth of one percent (.001) on the next \$20,000,000; and thirty-seven and one half thousandths of one percent (.000375) on each dollar thereafter in direct premiums. Additionally, on the same date, each captive insurance company shall file and pay a tax on assumed re-insurance premiums of one hundred and twelve and one-half thousandths of one percent (.001125) on the first \$20,000,000; seventy-five thousandths of one percent (.00075) on the next \$20,000,000; twenty-five thousandths of one percent (.00025) on the next \$20,000,000; and twelve and one-half thousandths of one percent (.000125) of each dollar thereafter.

For limitations and other provisions for captive or other insurance companies, please call the Corporate Tax Section.

ALCOHOLIC BEVERAGES TAX AND SERVICE IMPORT FEES **(Title 3, Chapters 4 and 10)**

Taxes and Service Charges

The Rhode Island General Laws direct the Tax Administrator to collect a tax on all alcoholic beverages manufactured, rectified, blended or reduced for sale in this state. The law also provides that any person seeking to import beverages from outside this state must order them through the Tax Administrator and pay a reasonable service charge for handling the order. The tax rates and service charges are shown below. Note that the measurements used are in wine gallons and not in proof gallons.

Beverage	Tax or Service Charge
Beer	\$3.00 per 31 gal.
Still wines (made entirely from fruit grown in this state)	\$0.30 per gal.
Still wines	\$0.60 per gal.
Sparkling wines	\$0.75 per gal.
Cordials (regardless of proof)	\$3.75 per gal.
Whiskey, Rum and Gin	\$3.75 per gal.
Whiskey, Rum and Gin (less than 30% proof)	\$1.10 per gal.
Ethyl alcohol (beverage)	\$7.50 per gal.
Ethyl alcohol (nonbeverage use)	\$0.08 per gal.

Licensed manufacturers are required to file monthly returns or, at the discretion of the Tax Administrator, they may file on a quarterly basis. Licensed wholesalers are required to file a monthly alcoholic beverage import service fee return.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

Liquor Licenses

Every liquor licensee filing an application for renewal or transfer of a license must submit a certificate executed by the Tax Administrator (or by an employee designated by the Tax Administrator) stating that all taxes due the state have been paid. A license cannot be renewed or transferred without this certificate.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE COLLECTION SECTION.

PARI-MUTUEL BETTING AND BREAKAGE TAXES - DOGS (Title 41, Chapter 3.1)

The licensee of a dog track pays the state a tax at the rate of 5 ½ % of the amounts contributed to the mutuel pool and ½ the breakage to the dime. The licensee must pay, in addition to the tax above, 1 ½ % of all monies wagered on multiple pools and 2% of all monies wagered on so-called straight (win, place or show) wagering. Additionally, the licensee pays of ½ of 1% (.005) of the pool to the city or town in which the dog track is located.

The amount of any winnings unclaimed for one year after the close of the meet for which the winning tickets were issued is payable to the General Treasurer for the use of the state.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

JAI ALAI BETTING AND BREAKAGE TAXES
(Title 41, Chapter 7)

On each licensee conducting jai alai events, there is imposed: (1) a tax equal to 3% of the amounts contributed to the mutuel pool, and (2) a tax equal to one-half (1/2) of the breakage to the dime. Additionally, the licensee pays a tax at the rate of 1% of the pool to the City of Newport.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

ADMISSIONS TAX TO RACING EVENTS
(Title 44, Chapter 29)

A tax is levied and assessed at the rate of 1 cent for each 5 cents or fraction of admissions to any racing event at which pari-mutuel betting is permitted. "Admissions" means all charges established for admission except those specifically designated as service charges.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

SIMULCAST TAXES
(Title 41, Chapter 11)

Each licensee conducting wagering in a simulcast betting facility under the pari-mutuel systems pays the state a tax on such programs at the rate of:

1. 4% of the total money wagered thereon on win, place and show wagers;.
2. 4% of multiple wagers therein involving 2 animals; and
3. 5.5% on exotic wagers therein involving 3 or more animals.

The amount of any winnings unclaimed for one year after the close of the meet for which the winning tickets were issued is payable to the General Treasurer for the use of the state.

REAL ESTATE CONVEYANCE TAX
(Title 44, Chapter 25)

A tax is imposed on each deed, instrument or writing by which interests in real estate are conveyed to a purchaser. The consideration for the conveyance must be more than \$100. When no consideration is paid, the deed should state no documentary stamps are required. The tax is imposed at \$2.00 per \$500 (or fraction thereof) of the purchase price of the property including any liens or encumbrances remaining at the time of sale. Unless otherwise agreed, the tax is paid by the grantor. Payment of the tax is shown by the recorder affixing a stamp to the original instrument.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

CONVEYANCE TAX ON MOBILE OR MANUFACTURED HOME
(Title 31, Chapter 44)

A tax is imposed on the conveyance of a mobile or manufactured home when the consideration paid exceeds \$100.

The tax is imposed at the rate of \$1.40 for each \$500 or fractional part thereof paid for the mobile or manufactured home. This does not include modular homes outside of a mobile and/or manufactured home park. Payment of the tax is made to the Recorder of Deeds of the city or town in which the mobile or manufactured home is located. Evidence of the tax paid is shown by the Recorder of Deeds affixing a stamp to the original instrument of conveyance. Unless otherwise agreed, the tax is paid by the grantor.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

TOBACCO PRODUCTS TAX (Title 44, Chapter 20)

An excise tax is imposed on all smokeless tobacco, cigars and pipe tobacco products (hereinafter referred to as "tobacco products") sold or held for sale by distributors in this state. The tax is computed at the rate of 30% of the wholesale cost of tobacco products.

"Tobacco products" means any cigars, cheroots, stogies, smoking tobacco (including granulated, plug cut, crimp cut, ready rubbed and any other kinds and forms of tobacco suitable for smoking in a pipe or otherwise), chewing tobacco (including cavendish, twist, plug scrap and any other kinds and forms of tobacco suitable for chewing) and snuff, however prepared; and shall include any other articles or products made of tobacco or any substitute therefore, except cigarettes.

Every distributor engaging in the business of selling "tobacco products" in Rhode Island is required to secure a license from the Tax Administrator. A person presently licensed as a Rhode Island cigarette distributor is not required to secure a license for purposes of this law. The distributor is required to file a monthly "Tobacco Products Tax Return" along with payment on or before the 10th day of each month for the preceding month's tax liabilities.

A dealer of "tobacco products" is liable for the payment of tax on all tobacco products in his/her possession at any time, upon which the tax has not been paid by a licensed distributor. An invoice from a licensed distributor(s) will be presumptive evidence that the tax has been paid to the Tax Administrator by such distributor. Any dealer liable for the tax is required to file a monthly "Tobacco Products Tax Return" in the same manner as a distributor.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE EXCISE TAX SECTION.

LOCAL MEALS AND BEVERAGE TAX (TITLE 44, CHAPTER 18)

All "eating and/or drinking establishments" are required to charge and collect a one percent (1%) local tax on the sale of "meals" and/or "beverages" within this state, effective August 1, 2003.

The tax applies whether or not the meals and/or beverages are prepared in the eating and/or drinking establishment and whether or not consumed on the premises. The rate of one percent (1%) must be shown separately on the bill of sale. However, in specific transactions

where no receipt is provided by the retailer, i.e., vending machine sales, liquor sales sold at a bar, etc., the local tax as well as the state sales tax is considered included in the total sales price of the meal and/or beverage sold.

The local meals and beverage tax is administered and collected by the Division of Taxation and unless provided herein, all of the administration, collection, exemptions and other provisions of the state sales tax law (chapters 18 and 19, Title 44) apply.

All local taxes received by the Division of Taxation will be distributed to the city or town where the meals and/or beverages are delivered. Accordingly, each eating and/or drinking establishment must report the local tax or its monthly or quarterly sales tax returns by city or town where the meals and/or beverages are delivered. The 1% does not apply if the meal and/or beverage is delivered outside of this state.

SURCHARGE ON TRANSIENT PARKING – WARWICK AIRPORT PARKING DISTRICT (Title 1, Chapter 6)

A five percent (5%) surcharge is imposed on "transient parking receipts" in the Warwick Airport Parking District ("district").

Each individual proprietorship, corporation, or other business entity providing transient parking in the "district" is required to obtain a permit for purposes of collecting the surcharge from customers and remitting same to the Division of Taxation. The permit fee is \$10 per parking space up to a maximum of \$250.

A return is required to be filed on or before the 20th day of each month to reflect surcharges due on transient parking receipts for the previous calendar month.

WITHHOLDING ON SALE OF REAL PROPERTY BY NONRESIDENTS (Title 44, Chapter 30, Section 71.3)

When Rhode Island realty and associated tangible personalty are sold by a nonresident, the buyer must deduct and withhold 6% of the total payment to the seller if the seller is a nonresident individual, estate, partnership or trust and 9% of the total payment if the seller is a nonresident corporation. The buyer then must pay the amount withheld to the Tax Division within 3 banking days of the date of the closing. Every buyer subject to these provisions is liable for the amounts withheld or required to be withheld and the amounts are a lien on the property until paid.

SALE OF A BUSINESS OR MAJOR PART IN VALUE OF THE ASSETS

It is critical that the taxpayer comply with the law regarding transactions in which the taxpayer sells a business or transfers a major part in value of the assets:

1. Business Corporation Tax

Whenever any such sale or transfer is to be made by a taxpayer subject to the business corporation tax, the taxpayer is obliged to give at least 5 days notice to the Tax Administrator in accordance with 44-11-29. That section requires a corporation in the real estate business to notify

the Tax Administrator prior to the sale or transfer of a major part in value of its assets even though the sale might be in the regular course of its business.

2. Sales and Use Taxes

The provisions of 44-19-22 require the taxpayer to give at least 5 days notice in a manner similar to paragraph 1 above.

3. Effect of Failure to Notify

Whenever any taxpayer fails to give notice to the Tax Administrator in accordance with the sections noted above, the law provides that any such sale or transfer shall be FRAUDULENT and VOID as against the state.

4. Bulk Sales Law

The requirements of notice in the sections of law referred to in paragraphs 1 and 2 above are in addition to the provisions for the requirement of notice to creditors by transfers under 6A-6-105 of the Rhode Island General Laws.

TAX LIENS

There are several chapters which provide that the amount of any tax, interest charge and penalty imposed upon any taxpayer shall, until collected, constitute a lien upon the real estate of the taxpayer. Those of more general application are the following:

1. Business Corporation Tax (44-11-8)
2. Franchise Tax (44-12-7)
3. Sales and Use Tax (44-19-21)
4. Estate Tax (44-23-9)
5. Personal Income Tax (44-30-92) (44-30-71.3)
6. Temporary Disability Insurance (28-40-14)

NONRESIDENT CONTRACTORS (Title 44, Chapter 1, Section 6)

Any person doing business with a nonresident contractor is required to withhold final payment and the amount withheld must not be less than 3% of the contract price. The final payment is to be made only after it has been determined that no sales or withholding taxes are due, and a certificate of no tax due is issued by the Division of Taxation. If these taxes are due, they must be paid to the Tax Administrator and any excess paid to the nonresident contractor.

INTEREST (Title 44, Chapter 1)

When the full amount of any state tax or any portion or deficiency has not been paid on the date it is due, the part of that tax or portion or deficiency shall have interest added as part of the tax. Interest is a rate computed by the Tax Administrator each January 1 by adding 2% to the

prime rate which was in effect on October 1 of the preceding year, provided however, that the rate of interest will not be less than 12% per annum. Interest is also due for failure to pay the proper amount of estimated tax.

Overpayments of state taxes also bear interest at the rate described above unless refunded within 90 days after the last date prescribed (or permitted by extension of time) for filing the tax return or within 90 days after the return is in fact filed. Contact the Division of Taxation for the current rate of interest.

CREDITS

EDUCATIONAL ASSISTANCE AND DEVELOPMENT CREDIT (Title 44, Chapter 42)

This chapter provides a credit against the Business Corporation Tax (44-11); Public Service Corporation Tax (44-13 except the tax under 44-13-13); Bank Excise Tax (44-14); and the Insurance Companies Tax (44-17). The credit is 8% of the contribution in excess of \$10,000 made to a Rhode Island institution of higher education and the contribution is to be for the establishment or maintenance of programs of scientific research or education. "Contributions" include the cost or other basis (for federal income tax purposes) in excess of \$10,000 of tangible personalty excluding sale discounts and sale-gift arrangements concerning the purchase of equipment. Amounts of unused credit may be carried over for 5 years and documentation of the credit requires a written statement from the institution.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

ADULT EDUCATION TAX CREDIT (Title 44, Chapter 46)

This chapter provides that an employer is allowed a credit against the tax imposed by Chapters 11, 13, 14, 15, 17 and 30 of Title 44 for 50% of the costs incurred solely and directly for non-worksite or worksite-based adult education programs as specifically defined. The employee for whose adult educational programs credit is claimed by the employer must remain in the employ of the business for a minimum period of 13 consecutive weeks and a minimum of 455 hours of paid employment before the employer can become eligible for the credit. The maximum credit per employee under the new provisions is \$300 and the maximum overall credit per taxable year per employer is \$5,000. Taxpayers claiming this credit must complete and attach a form RI 6324.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

HAZARDOUS WASTE FACILITIES AMORTIZATION (Title 44, Chapter 11, Section 11.2)

This section extends the business corporation tax amortization provisions of 44-11-11.1(a) and (h) to include tangible personalty for the recycling, reuse or recovery of materials from or the treatment of hazardous waste as defined in 44-3-3(1)(26) of the Rhode Island General Laws.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE CORPORATION SECTION.

CREDIT FOR ARTWORK EXHIBITION

(Title 44, Chapter 30, Section 24)

A credit is available against the personal income tax for 10% of each \$1,000 of the purchase price of qualifying artwork to a maximum purchase price of \$10,000. The credit is available to taxpayers presenting written certification from the Board of Curators (see Chapter 42-97, R.I.G.L.) and amounts of unused credits may not be carried forward.

INQUIRIES: FOR ADDITIONAL INFORMATION, PLEASE CALL THE PERSONAL INCOME TAX SECTION.

HISTORICAL RESIDENCE CREDIT (Title 44, Chapter 33.1)

A taxpayer who owns and lives in a Rhode Island historical residence may claim a credit against the Rhode Island personal income tax up to 20% of certified costs for renovation in the year in which the work is completed. The maximum credit per year is \$2,000 and amounts of unused credits may be carried forward by the owner. Applications for and certifications of the credits are administered by the Rhode Island Historical Preservation Commission.

EMPLOYER'S APPRENTICESHIP TAX CREDIT (Title 44, Chapter 11, Section 41)

A taxpayer who is an employer and employs a machine tool, metal trade apprentice or plastic process technician apprentice enrolled and registered under the terms of a qualified program will be allowed a credit against the tax imposed by Chapter 11 of Title 44. The number of apprenticeships for which tax credit is allowed must exceed the average number of apprenticeships begun during the 5 preceding years. The amount of the credit is 50% of the actual wages paid to the qualifying apprentice or \$4,800 whichever is less. The credit is not refundable and amounts of credit not deductible in the taxable year may not be carried over to the following year. Taxpayers claiming this credit must complete and attach a form RI 2874.

CREDITS FOR DAYCARE ASSISTANCE AND DEVELOPMENT (Title 44, Chapter 47)

Credits are available against the business corporation tax, the public service corporation tax, the bank excise tax, the insurance companies' gross premiums tax and the personal income tax. These credits are computed generally at 30% of the amount of Rhode Island licensed daycare purchased and 30% of the cost to establish and/or operate a Rhode Island licensed daycare facility whether established and/or operated by the taxpayer alone or in conjunction with others. Purchased daycare must be for the taxpayer's employees' dependent children or for children of the taxpayer's commercial tenants. Daycare facilities must be used primarily by the taxpayer's employees' dependent children or by the children of the taxpayer's commercial tenants. Also, a credit of 30% of the amount foregone in rent or lease payments for space dedicated to child daycare services is available. For purchased daycare, the maximum annual credit is \$30,000 and amounts of unused credit may not be carried forward. For daycare facilities and rents/lease foregone, the maximum total credit is \$30,000 and amounts of unused credit may be carried forward for 5 years. The credit has been extended to include daycare for dependent adults if the facility is certified by the Department of Elderly Affairs.

Credits for child daycare of the above types require confirmation that the facility agrees to accept children for whom services are paid by Rhode Island Department of Human Services. Taxpayers claiming the credit should attach a form RI 2441.

ENTERPRISE ZONE TAX BENEFITS (Title 42, Chapter 64.3)

The certification process for each member business is done at the end of each calendar year by the Enterprise Zone Council of the Economic Development Corporation and has 4 mandated tests:

1. 5% new hires of enterprise jobs workers in the zone; and
2. grand total RI wages for entire company exceeds grand total RI wages for entire company in prior calendar year; and
3. company must get certificates of good standing from the Division of Taxation, the Secretary of State and from local municipality; and
4. company must provide an affidavit that it did not change its legal status during the year to get tax incentives.

Treble damages are mandated for noncompliance or for submission of false or misleading information.

Various tax benefits may be available to taxpayers in the forms of business credits, a special modification, donation credits and interest credits. A brief summary of each is:

Enterprise Zone Donation Credit

A taxpayer is allowed a 20% credit against the tax imposed by chapters 44-11, 44-13, 44-14, 44-17, or 44-30 for donations to public supported improvement projects in the zone. The credit has a maximum of \$10,000 per year; shall not offset any tax liability in years other than the year in which the taxpayer qualifies for the credit; cannot reduce the tax below the minimum; and shall be used to offset tax liability pursuant to the provisions of only one of the chapters of title 44 mentioned above. The credit shall only be allowed against the tax of that corporation included in a consolidated return that qualifies for the credit and not against the tax of other corporations that may join in the filing. The donation is limited to that allowed and claimed on the donor's federal tax return and is not refundable. Taxpayers claiming this credit must use form RIZN-05 and attach all required documents.

Resident Business Owner Modification

In computing his or her personal income tax, a domiciliary of an enterprise zone who owns and operates a qualified business facility in that zone may deduct \$50,000 per year as a modification reducing federal adjusted gross income during the first 3 years' operation in the zone and \$25,000 per year in the fourth and fifth years. The taxpayer must satisfy all 3 conditions and

mere stock ownership or tangential duties will not qualify an individual for this modification. A resident business owner may elect to claim this modification or the Business Tax Credit (below) from the same certified business but not both.

Any modification shall not be available in taxable years other than the year in which the taxpayer qualifies and, for multiple owners, the modifications are apportioned according to the ownership interests of the domiciliary owners of the qualified business. Taxpayers using this modification must use form RIZN-03 and attach all required documents.

Enterprise Zone Interest Credits

Lenders to a certified business may be eligible for credits based on the interest paid by the business. The interest must actually have been paid by the qualified business and received and treated as income by the lender to qualify. These credits are allowable against taxes due under Chapters 11, 13, 14, 17 or 30 of Title 44; shall not offset any tax liability in years other than the year in which the taxpayer qualifies for the credits; may not be carried forward; shall not reduce the tax below the minimum tax; and are not refundable. Taxpayers claiming either (both) credit(s) must use form RIZN-04 and must attach all required documents.

REGULAR LOAN INTEREST INCOME CREDIT: A taxpayer is allowed a 10% credit (maximum \$10,000) for interest earned on loans made to qualified businesses.

SPECIAL REHABILITATION LOAN INTEREST INCOME CREDIT: A taxpayer is allowed a 100% credit (\$20,000 maximum) for interest earned on loans made to qualified businesses for rehabilitation of council-certified industrial or commercial property if the amount of the loan is a minimum of 25% of the business' basis of the real property.

Business Tax Credit

A business certified by the Enterprise Zone Council is allowed a credit against Chapters 44-11, 44-14, 44-17 and 44-30 R.I.G.L. The credit is 50% (or 75% for zone resident workers) of the Rhode Island salaries and wages paid only to those newly hired enterprise jobs workers comprising the employees included in the 5% test used by the Council. If the business received Federal or state assistance for any of the enterprise jobs workers for which the credit is claimed, it must reduce that worker's wages by that assistance. The maximum credit for each enterprise jobs worker is \$10,000 (\$15,000 for resident workers).

Taxpayers must claim the credit in the year into which the end of the certification year falls. The credit cannot reduce the tax below the minimum tax and is not refundable. The credit shall only be allowed against the tax of that corporation included in a consolidated return that qualifies for the credit and not against the tax of other corporations that may join in the filing. For credits from certification years prior to 2000, there is no carryover. Effective for credits from certification year 2000, there is a non-automatic carryover. The carryover is 3 years if and only if the company is recertified or authorized by the Enterprise Zone Council for each of the 3 years.

INQUIRIES: FOR INFORMATION ABOUT BUSINESS CERTIFICATION, PLEASE CALL THE ECONOMIC DEVELOPMENT CORPORATION AT 222-2601.

S.B.A. GUARANTY FEE CREDIT

(Title 44, Chapter 43.1)

Taxpayers who have paid a loan guaranty fee to the Small Business Administration (S.B.A.) in order to obtain guaranteed financing on which they are the primary obligors may take the amount of the fee as a credit against their Rhode Island personal income tax liability. The credit is only claimed in the tax year in which the guaranty fee was paid. Taxpayers claiming this credit should attach copies of documents such as, but not limited to, the SBA credit letter from the Providence SBA office, loan documents or canceled checks evidencing that the small business is the primary obligor and that it paid the guaranty fee.

The credit cannot reduce the tax below the minimum. For tax years beginning after December 31, 1997, amounts of unused credit may be carried forward for four (4) subsequent tax years.

RESEARCH AND DEVELOPMENT CREDIT - PROPERTY (Title 44, Chapter 32, Section 2)

A credit is available to corporations, sole proprietors or passed through from partnerships, joint ventures or subchapter S corporations for research and development property acquired, constructed, reconstructed or erected after July 1, 1994. The credit is 10% of the cost or other basis of realty and tangible personalty which is depreciable; has a useful life of 3 years or more; was acquired by purchase; has a situs in Rhode Island and is used principally for purposes of research and development in the experimental or laboratory sense. This type of research and development does not include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising promotions, or research in connection with literary, historical or similar projects. The credit is not available for leased property.

RESEARCH AND DEVELOPMENT CREDIT - EXPENSES (Title 44, Chapter 32, Section 3)

A credit is available to corporations, sole proprietors or passed through from partnerships, joint ventures or subchapter S corporations for qualified research expenses. The credit is 5% of the excess (if any) of the qualified research expenses in the taxable year over the base period research expenses. The terms "qualified research expenses" and "base period expenses" have the same meaning as defined in the Internal Revenue Code, however, the expenses must have been incurred in Rhode Island after July 1, 1994. Taxpayers claiming this credit should attach a form RI 7695-E. Effective for amounts paid or incurred on or after January 1, 1998, the credit is 22.5% for the first \$25,000 of credit and 16.9% for the rest of the credit. The credit cannot reduce the tax to less than 50% of the tax otherwise payable.

RESIDENTIAL LEAD PAINT CREDIT (Title 44, Chapter 30, Section 97)

An individual is entitled to a credit against his/her Rhode Island personal income tax liability for residential lead removal if he/she (1) obtains written certification of the hazard; (2) has the hazard removed by a licensed contractor; (3) pays for the hazard's removal; and (4) obtains

written certification that the dwelling is acceptable for occupancy. The credit is equal to the amount paid for the lead removal or reduction to a maximum of \$1,000 per dwelling unit. Amounts of unused credit may be carried forward for 5 tax years. The credit may not be applied until all other credits available to the taxpayer for the tax year have been applied. Taxpayers claiming this credit should attach a form RI 6238 and both inspection certificates to their tax returns.

NEW EMPLOYMENT INCENTIVE (Title 44, Chapter 55)

A deduction or modification in taxes owed by a business is available to businesses which employ and retain Rhode Island employees who have been previously unemployed for at least 26 consecutive calendar weeks and who have been domiciled residents of the state of Rhode Island for at least 52 consecutive weeks. The incentive is 40% of the eligible employee's first year wages, up to a maximum of \$2,400 per eligible employee. Each eligible employee must meet certain criteria and be certified by the Department of Labor and Training.

RHODE ISLAND JOBS DEVELOPMENT ACT (Title 42, Chapter 64.5, Section 1)

An eligible company (e.g., corporation, bank, insurance company) and each of its subsidiaries receive a tax reduction by multiplying .25% by the aggregate number of units of new employment, however, the amount of rate reduction shall not exceed 6%. The tax reduction is available using base period information each July 1st from July 1, 1994 to July 1, 2001. The rate reduction shall be applied annually to each eligible company and its eligible subsidiaries.

RHODE ISLAND ENTERPRISE ZONE MILL BUILDING TAX INCENTIVES (Title 42, Chapter 64, Section 7 and Title 44, Chapter 31, Section 2)

Owners of mill buildings certified by the Enterprise Zone Council and substantially rehabilitated, operators of eligible businesses in such buildings and lenders to eligible businesses in such buildings may qualify for various kinds of tax incentives.

ALTERNATIVE FUELS TAX INCENTIVES

Various tax incentives pertaining to alternative fuels and related vehicles and equipment are available. These generally include exemption from the gasoline tax; exemption of the fuel and vehicles powered by it from the sales and use tax; a deduction from the public service corporation tax for the sale of the fuel; a credit for a business which purchases an alternatively fueled vehicle (or converting a vehicle to such fuel); and a credit for constructing or improving a filling station to provide such fuel or to recharge electric vehicles.

DISABILITY ACCESS CREDITS FOR SMALL BUSINESSES (Title 44, Chapter 54)

The credit is equal to 10% of expenses incurred to enable small business to comply with Federal or state laws protecting the rights of persons with disabilities to a maximum of \$10,000.

ISO CERTIFICATION CREDIT

(Title 44, Chapter 11)

A taxpayer which receives a quality standard certificate for ISO compliance shall be allowed a tax credit against the business corporation tax (44-11) equal to the cost incurred to obtain the quality standard certificate.

“Costs incurred” by the taxpayer shall mean those costs incurred in Rhode Island on or after July 3, 1998 and shall include only those costs incurred to obtain the quality standard certification. Costs incurred prior to July 3, 1998, after certification has been awarded, or to maintain certification are not eligible for the credit. Costs incurred by the taxpayer may include payments for eligible items which are capitalized and depreciated by the taxpayer. Costs incurred may include those costs incurred in tax years prior to certification provided that they were otherwise eligible, were incurred in Rhode Island on or after July 3, 1998, and that proper documentation for such prior period costs is attached to the tax credit claim form.

The credit is not refundable and cannot reduce the taxpayer’s tax for that tax year to below the minimum. Amounts of credit not used may not be carried over to any subsequent tax year. If the taxpayer is a subchapter S corporation, the credit may be passed through to shareholder/owners. If the taxpayer is included in a consolidated return, the credit is allowed against the tax of only the corporation which qualifies for the credit and will not be allowed against the tax of other corporations that may join in the filing of a consolidated state tax return with the taxpayer. Costs incurred may be claimed for only one type of ISO certification.

CREDIT FOR JOB TRAINING EXPENSES (Title 42, Chapter 64.6)

The Rhode Island jobs training credit allows qualified employers to take a tax credit of 50% of eligible training expenses for the training or upgrading of certain employees in their existing workforce. Most Rhode Island employers will qualify, however, the law excludes certain types of professional services such as legal, medical, accounting and engineering and other similar services. Employees involved in the training courses cannot be “highly compensated individuals”; must be full time employees; and, upon completion of the training, must earn at least 150% of the RI minimum hourly wage. Prior to the start of each course, the employer must obtain written approval from the RI Human Resource Investment Council and such written approval must be attached to the tax return when the credit is claimed.

Training expenses are limited to \$5,000 per employee over a three year period. Additionally, only \$1,000 per year can be from employee’s wages and benefits. Training expenses for each course are net of any federal or state funds used for such training. In the year in which the expenses are used in the calculation of the credit, all training expenses (including employees salaries and fringe benefits) claimed as deductions for income tax purposes are denied and must be added back before the credit can be claimed.

The credit is 50% of the eligible training expenses and up to one-half of the credit may be used in the year in which the training takes place and the balance of the credit must be used in the following year.

RENEWABLE ENERGY SYSTEMS CREDIT

(Title 44, Chapter 57)

An eligible individual or corporation may claim a credit for a photovoltaic system, solar domestic hot water system, active solar space heating system or wind generation system installed in a dwelling in Rhode Island. The credit for systems claimed in 2003 is 10% of the cost of the system. The credit cannot reduce the tax below \$0 or the minimum filing fee and unused amounts of credit may not be carried over to the following tax year.

Renewable energy credits are approved by the State Energy Office at 222-3370.

**HISTORIC STRUCTURES TAX CREDIT
(Title 44, Chapter 33.2)**

Rhode Island has adopted a 30% state tax credit for developers who rehabilitate historic commercial buildings. Additional information may be obtained from Rhode Island Historical Preservation and Heritage Commission at 222-2678 or at their website: www.rhphc.state.ri.us.

DIVISION OF TAXATION

TELEPHONE INDEX

Tax Administrator	(401) 222-3050
Assistant Tax Administrator	(401) 222-3050
Legal.....	(401) 222-2337
Collections	(401) 222-3108
Field Audit.....	(401) 222-3053
Processing	(401) 222-2940
Forms	(401) 222-1111
Taxpayer Assistance (Option #3)	(401) 222-1040
Telephone Device for the Deaf (TDD)	(401) 222-6287
Personal Income Tax.....	(401) 222-3911
Corporate Taxes	(401) 222-1120
Employment Taxes	(401) 222-3696
Estate Tax	(401) 222-3057
Sales/Excise Tax	(401) 222-2950
Electronic Funds Transfer Information.....	(401) 222-6282
TAX DIVISION WEB PAGE.....	HTTP://www.tax.ri.gov

For the telephone numbers of state departments other than the Division of Taxation, please consult the blue pages of your telephone directory.

STARTING A BUSINESS IN RHODE ISLAND?

Here's some valuable information!!!

The Rhode Island Division of Taxation has the following forms and information available at the Front Desk of its office in Providence or by calling 222-1111 between 8:30 a.m. and 4:00 p.m. weekdays:

- RI Personal Income Tax Forms
- RI Personal Income Tax - Estimated Vouchers
- RI Personal Income Tax - Form to Register for State Withholding from Employees
- RI Corporate Tax Forms
- RI Estate Tax Forms
- RI Fuel Stickers - Fee Required
- RI Promoters Forms
- RI Withholding Tax Forms
- RI Sales Tax Forms
- RI Business Permits:
 - Sales Tax Permit - \$10
 - Cigarette Sales Permit - \$25
 - Gas Station Permit - \$5
 - Litter Control Participation Permit
- Hotel Tax Forms
- Beverage Container Tax Forms
- Exemption Certificates
- Tax Division Highlights
- Power of Attorney Forms
- Regulations
- Employment Tax Registration Form

The Secretary of State's Office at 270 Westminister Mall in Providence handles registration for incorporation of businesses. The telephone number is (401) 222-2357.

The Internal Revenue Service at 380 Westminister Mall in Providence handles registration for federal identification numbers on form SS #4. The telephone number is 1-800-829-1040.

INFORMATION ON TAXES NOT HANDLED BY THE DIVISION OF TAXATION CAN BE OBTAINED AS FOLLOWS:

LOCAL PROPERTY TAXES (Real Estate and Personal Property including Property Taxes on Automobiles) should be addressed to the Tax Assessor of the City or Town in which the person resides.

QUESTIONS & ANSWERS ON SALES/USE TAXES FOR A NEW BUSINESS

Q. *What is the sales tax?*

A. The sales tax is a levy imposed on the retail sale, rental or lease of many goods and services at a rate of 7%. Any sale is a retail sale if the property or service sold will be used and not resold in the regular course of business. The tax is collected by the vendor and remitted directly to the state. In addition to the sales tax, there is also a 6% hotel tax on the rental of rooms in hotels, motels or lodging houses.

Q. *What kinds of businesses must collect the sales tax?*

A. A business that is selling, renting or leasing tangible personal property at retail, which includes, but is not limited to the following: home appliances, craft items, household furnishings, antiques, VCR's & tapes, jewelry, stereo & TV equipment, computers and computer software must collect the sales tax.

Some services are also taxable. Taxable services include, but are not limited to the furnishing of telecommunications service and cable television services.

Also, if you operate an "eating and/or drinking establishment" you must also collect and remit the 1% local meals and beverage tax.

Q. *How do I register my business?*

A. You can register either by mail or in person at the Division of Taxation, One Capitol Hill, Providence, RI 02908 by filing an Business Application and Registration Form along with the \$10 fee. A \$10 renewable fee is required each year.

Q. *Do I need to register my business for sales tax if I am a wholesaler only?*

A. No. Sales tax registration is required only when all or a portion of your sales are at retail.

Q. *What other state taxes is a business liable for?*

A. A business may be liable for:

Litter Control Participation Permit - If you are a retailer making taxable sales of food and/or beverages, you must apply and pay for a litter permit fee each year.

State Income Tax Withholding - If you are an employer who maintains an office in this state or transacts business in the state and makes payment of wages subject to Rhode Island personal income tax, you must withhold and remit Rhode Island income tax. There is no registration fee.

Unemployment Compensation Tax - You must also contact the Rhode Island Department of Employment and Training at (401) 222-3696 if you have employees.

Business Corporation Tax - If your business is incorporated, you may be liable for business corporation tax.

Use Tax - If you purchase taxable goods and services for use by your business without paying Rhode Island tax, you must pay use tax to the State by filing a Consumer's Use Tax Return. It should also be noted that individuals who purchase taxable goods & services for their personal use without paying Rhode Island tax should also pay use tax to the State by filing a Consumer's Use Tax Return.

NOTE: The Internal Revenue Service (IRS) should also be contacted to determine your federal tax requirements. The Internal Revenue Service's toll-free telephone number is 1-800-829-1040.

Q. *Once I have a sales and use tax permit will I ever need to get another one?*

A. Sales and use tax permits must be renewed annually and each new business location must have its own seller's permit.

If your business expands and you open a second location, you must obtain a new permit for the new location.

Also, if the ownership or structure of the business changes (for example, if a sole proprietorship becomes a partnership or corporation), a new permit is required.

Q. *What if my business is located out-of-state but I intend to come into Rhode Island and sell (for example at a craft show)?*

A. You must complete an application for permit. You will be issued a sales tax permit to collect Rhode Island sales tax.

Q. *How do I obtain a new copy of my sales and use tax permit if I change my address or lose the permit?*

A. Notify the Tax Division in writing at the following address:

Rhode Island Division of Taxation
Registration Section
One Capitol Hill
Providence, RI 02908-5800

There is no fee for this service.

Q. *Must I make a minimum amount of sales before I am required to register for collection of sales tax?*

A. No. You are required to register before you start your business.

Q. *How often are sales and use tax returns filed?*

- A. Generally, sales and use tax returns must be filed on a monthly basis on or before the twentieth day of the month next succeeding the month for which the return is required to be made.

However, if your sales and use tax liability for six (6) consecutive months has averaged less than two hundred dollars (\$200) per month, a quarterly return may be made when specially authorized, in writing, by the Tax Administrator.

- Q. *Should I file a return if I have made no sales?*

- A. Yes. The return must be completed by showing "zero sales" and "zero taxes."

- Q. *On what price do I compute sales tax?*

- A. The tax is computed on the selling price (not your cost) of the taxable goods, rental, lease or service.

- Q. *When do I report sales that I make?*

- A. In general, sellers of taxable goods and services must report sales on the accrual basis. This means that all sales you make must be reported during the filing period in which the sale is made, not when the customer renders payment.

- Q. *How do I purchase my inventory of goods for resale without paying sales tax?*

- A. Complete a Rhode Island sales and use tax resale certificate bearing your sales tax permit number, and give it to the vendor from whom you make a purchase of goods or services which you intend to resell. If you are not required to hold a permit because you are not making sales subject to tax in this state (e.g. no sales made in this state, wholesale sales, etc.) then an appropriate notation to that effect should be made on the certificate in lieu of a retail permit number.

A certificate may not be used to purchase items for your own use, such as office supplies, furniture and fixtures.

- Q. *What must your customers provide to you to demonstrate that they are exempt from paying sales tax?*

- A. The customer must give you a completed Rhode Island sales and use tax resale certificate or one of several types of exemption certificates. Some of the most common are:

If the customer is a charitable or religious organization, the customer must present a Rhode Island Exempt Organization Exemption Certificate. (Rhode Island retailers should not accept Exemption Certificates from other states.)

If the customer is a manufacturer, the customer must present a Manufacturers Exemption Certificate.

If the customer is a farmer, the customer must present a copy of the Farmer Tax Exemption Certificate.

If the customer is the State of Rhode Island, a RI municipality, or the Federal Government, the sale is exempt and no certificate is required. Purchases made by state or municipal governments from other states are subject to Rhode Island sales tax.

Q. *If I make a sale and deliver the goods outside Rhode Island, do I collect Rhode Island sales tax?*

A. No. However, depending upon your activities in the other state, you may be required to register and collect sales tax for that state.

However, a resident of another state making a purchase and taking possession of the item in Rhode Island must pay Rhode Island sales tax.

Q. *What are the penalties and interest if I file a sales and use tax return late?*

A. There is a penalty of 10% of the tax due for the late payment of the tax. Interest at the current rate is also calculated on the underpayment of tax, but not less than 12%.

Q. *What records must I keep to verify the figures on my sales and use tax return?*

A. The following records must be kept at least three years:

Sales receipts
Purchase invoices
Cash register tapes

State and Federal Tax Returns
Documents that show price change
Exemption certificates

Under certain circumstances, you may be required to produce records for more than three years.

Q. *I am closing my business. What should I do?*

A. You must cancel your sales and use tax permit by doing the following:

File your monthly or quarterly return and check the "Yes" box following the question, "Are you out of business now?"

Enter the last business date in the block provided.

Also, write the word FINAL prominently across the top of the return.

Enclose your permit card with the return.

FREQUENTLY ASKED QUESTIONS ABOUT EMPLOYMENT TAXES

- Q. *I am opening a new business. Must I register with your department?*
- A. Only companies or individuals who have hired someone as an employee must register with this department.
- Q. *I am a sole proprietor, and my wife works for me. Do I pay taxes on her earnings?*
- A. No. Wives working for their husbands or husbands working for their wives are exempt under the law. Likewise minor children (under the age of 18) working for a parent are also exempt, as are parents for their child.
- Q. *I hire only independent contractors for my business. How do I know this is correct.?*
- A. The factors used to determine independent contractor status are the same as those used by the Internal Revenue Service. Call the Accounts and Control Unit at (401) 222-3682 for more specific information.
- Q. *I received a penalty for filing my tax return late. Can I have the penalty waived?*
- A. The law does not grant the department discretionary power to waive penalties, so the penalty must stand.
- Q. *Your department administers three taxes--unemployment, temporary disability, and job development. Do I pay all three taxes or is there a contribution made by the employee?*
- A. The employer is responsible for paying the employment security and job development taxes. Temporary disability is withheld from the employees gross earnings.
- Q. *My company has both a 401K and 125 program which for federal purposes reduce the amount of taxes withheld from the employees earnings. Does the Employment Tax Section treat these programs the same as the federal tax program?*
- A. Yes. Under the law for the three taxes we administer there are specific exemptions for these programs, so consequently the employee's net earnings are taxable.

STATE OF RHODE ISLAND - DIVISION OF TAXATION

TAXPAYER RIGHTS AND RESPONSIBILITIES

REGULATION TRR 98-1

Taxpayers have certain rights and responsibilities in the administration of Rhode Island tax law. To ensure consistent application of the tax law and to guarantee that the rights, privacy and property of Rhode Island taxpayers are adequately protected during tax assessment, collection and enforcement processes, the following rights and responsibilities of taxpayers are set forth.

THE TAXPAYERS OF THE STATE OF RHODE ISLAND HAVE A RIGHT TO:

- Receive fair and courteous treatment from all the Tax Division's employees;
- Receive tax forms and information written in plain language;
- Receive prompt and accurate responses to all questions and requests for tax assistance;
- Be assured that the department will keep confidential the financial information you give it;
- Receive tax notices that provide an explanation of the amount being billed;
- Dispute any tax liability by filing a timely request for a hearing;
- Know that the department's employees are not paid or promoted as a result of money billed to or collected from taxpayers;
- Timely processing of refund claims;
- Pay outstanding tax liabilities in installments in cases of proven hardship;
- Have the department begin and complete its audits in a timely and expeditious manner after notification of intent to audit;
- Be informed at least 30 days' prior to any impending collection actions which require sale or seizure of property or freezing of assets, except jeopardy assessments;
- Designate which tax liability a payment is to be applied to;
- Have an offer of compromise on a delinquent tax liability considered by the Tax Administrator pursuant to his/her authority under RIGL 44-1-10 and any regulation pertaining thereto;
- Be provided with information regarding tax law and new developments in tax law through publications such as newsletters and a synopsis booklet on Rhode Island tax law;

Be provided with information, upon request, regarding the collection efforts being made against a joint obligor of the taxpayer.

Be represented or advised by counsel or other qualified representatives at any time in administrative interactions with the Division;

Request that penalties be abated where there was no negligence or intentional disregard of the law;

A full explanation of all actions by a Revenue Agent or other Examiner during an audit or a Revenue Officer during collection activities;

Copies of an auditor's workpapers and to have a closing conference with the auditor;

Reimbursement for reasonable litigation expenses pursuant to Chapter 42-92 if the taxpayer prevails in a contested matter and the actions of the Tax Division are without substantial justification;

Reimbursement of bank charges resulting from an erroneous levy on a bank account;

Abatement of penalty and/or interest where the penalty and/or interest is attributable to erroneous written advice of the Division of Taxation. The advise must have been provided in response to specific written request to the tax administrator by the taxpayer and must have been reasonably relied upon.

IT IS THE RESPONSIBILITY OF ALL RHODE ISLAND TAXPAYERS TO COMPLY WITH THE PROVISIONS OF TITLE 44 OF THE RHODE ISLAND GENERAL LAWS. THESE RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED, TO THE FOLLOWING:

Business taxpayers must register with the Division of Taxation and apply for applicable tax permits and licenses required for operation;

Business taxpayers must keep accurate and complete records for a three (3) year period;

All taxpayers must file returns and pay taxes in a timely manner;

All taxpayers must ensure that the information declared on their tax return is complete and accurate;

All taxpayers must know their tax reporting obligations and seek instructions when they are uncertain;

All taxpayers must have documentation to substantiate timely claims for refund;

Business taxpayers must notify the Division of Taxation and pay taxes promptly when closing or transferring a business.

This regulation shall be made available to taxpayers by inclusion in the Synopsis of the Rhode Island Tax System booklet published by the Division of Taxation.

R. GARY CLARK
TAX ADMINISTRATOR

EFFECTIVE: JANUARY 1, 1998

WHAT IF I DON'T AGREE WITH MY TAX BILL -- HOW DO I EXERCISE MY RIGHTS AS A TAXPAYER?

NOTICE OF TAX DUE

- Q. I got a notice called a "Notice of Deficiency Determination." What does that mean?
- A. It is the Tax Division's bill for additional taxes, penalty or interest due the State of Rhode Island.
- Q. I thought I paid the proper amount of tax. What makes you think I owe additional taxes?
- A. An examination of your tax return shows that you miscalculated when you figured the tax due, or you failed to pay the taxes you owed on time and you are being assessed a penalty for late payment, or an audit of your books and records indicates you owe additional taxes, penalty and Interest.

PENALTIES

- Q. You mentioned penalty and interest. Just how much are you talking about?
- A. By law, interest is set on January 1st of each year by the Tax Administrator. The rate is 2 percentage points over the prime rate as of October 1st of the prior calendar year. In no event shall interest be less than 12 percent per year nor more than 21 percent per year. However, interest due on employment taxes is always assessed at 18 percent per year. Penalties may vary by tax and for the reason for underpayment.

TAXPAYER OPTIONS

- Q. Okay, so what happens next?
- A. You have two options available to you:
1. Pay if satisfied: If you agree that you owe the additional amount--tax, penalty and interest--send your check or money order for the additional amounts due.
 2. Request a hearing: If you disagree with the assessment, you can request a hearing. This request must be in writing and must be postmarked no later than 30 days from the date of the assessment, or no later than 15 days for employment tax assessments. If you choose this method, you are not required to pay the assessment at that time, but if you do not pay, then interest continues to be charged on the amount of additional tax ultimately owed the State of Rhode Island.
- Q. To whom do I send my Request for Hearing?

A. Send it to:

Tax Administrator
Rhode Island Division of Taxation
One Capitol Hill
Providence, RI 02908-5800

Requests for hearings concerning employment tax assessments should be sent to:

Board of Review
101 Friendship Street
Providence, RI 02903-3740

TAXPAYER REQUEST

Q. Okay. I've sent my Request for Hearing. Now what happens?

A. You will be notified of the date and time scheduled for a preliminary review with the Tax Division. If the matter is not resolved at that level, it is forwarded to the Division for Adjudicative Services for a formal hearing. All requests for hearing concerning employment tax assessments are forwarded directly to the Board of Review for a formal hearing.

Q. What happens if, after my formal hearing, I am still dissatisfied with the result?

A. You can appeal the decision to the District Court for a "de novo" hearing. This is a new hearing in which both parties resubmit their evidence before a judge. This requires prepayment of the full amount of the assessment before you can appeal unless you can show an inability to pay the tax and the probability of succeeding in your appeal.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF TAXATION



MISSION

TO ASSESS AND COLLECT ALL REVENUE THAT THE LEGISLATURE PLACES UNDER THE CONTROL OF THE TAX ADMINISTRATOR IN THE MOST EFFICIENT AND COST EFFECTIVE MANNER AND TO FOSTER VOLUNTARY COMPLIANCE WITH THE TAX LAWS BY INSTILLING PUBLIC CONFIDENCE THROUGH PROFESSIONAL, IMPARTIAL AND ETHICAL CONDUCT.
